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Review of the efficiency of the administrative and financial functioning of the United Nations

Financing of the United Nations Angola Verification Mission and the United Nations Observer Mission in Angola

Report of the Secretary-General on the findings, observations and recommendations contained in the report of the Office of Internal Oversight Services on the audits of the procurement process in the United Nations Angola Verification Mission

Summary

The present report is prepared in response to General Assembly resolutions 52/8 C, paragraph 9 and 53/211, paragraph 8, in which the Assembly requested the Secretary-General to submit to it a report on the status of implementation of measures taken or initiated to address the issues, observations and recommendations contained in the report of the Office of Internal Oversight Services (A/52/881, annex) and other related actions taken by the Mission and the Secretariat.

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I. Introduction

1. The General Assembly, in paragraph 9 of its resolution 52/8 C of 26 June 1998, requested the Secretary-General to submit to it before the second part of its resumed session a report on the status of measures taken or initiated to address appropriately the issues, observations and recommendations contained in the report of the Office of Internal Oversight Services on the audits of the procurement process in the United Nations Angola Verification Mission (UNAVEM) (A/52/881, annex), and other related actions taken by the Mission and the Secretariat. The General Assembly reiterated its request in paragraph 8 of its resolution 53/211 of 18 December 1998.

2. Accordingly, the present report responds to the findings, observations and recommendations of the Office of Internal Oversight Services in those areas that have not been adequately addressed earlier or where further corrective measures were recommended by the Office, and provides details concerning measures taken in response to its recommendations.

II. Comments and action taken regarding the findings of the Office

Processing of requisitions

3. The audit team of the Office visiting the Mission in June 1996 found that, in several instances, the Mission's Procurement Section had interfered in the procurement process by delaying the processing of requisitions to create exigent situations, or by splitting large requisitions into several smaller ones so as to avoid referral to the committee on contracts.

4. In response to this observation, the Field Administration and Logistics Division of the Department of Peacekeeping Operations of the Secretariat has provided guidance to procurement officers in the field concerning adherence to the procedures established in the Procurement Manual, particularly with regard to the role of committees on contracts in ensuring that procurement actions are effectively and efficiently conducted. A checklist of all reference documents required by field procurement officers has been compiled and will be included in their induction process.

5. In a subsequent audit by the Office, it was observed that, as at 30 May 1997, there were 412 requisitions awaiting procurement action, most of which did not appear to be valid. The Office's report stated that, because a review by requisitioners during the period of the audit reduced the number of such requisitions to 132 (as at 18 June 1997), and the corresponding requisition value by more than $15 million, it was clear that they had been raised for goods and services that were not essential or urgently needed. The Office recommended that the Mission ensure that the validity and priority of requisitions were properly assessed.

6. The reduction in requisitions value to which the Office refers represent the cumulative value of requisitions which either had not been approved by Management, or had been superseded by the raising of other requisitions, but which the responsible official had not expunged from the system. The existence in the Reality system did not constitute a financial commitment on the part of the Organization because no funds had been — or could have been — obligated in their respect. Although UNAVEM should have taken action earlier to purge these stale requisitions from the Reality system, the belated action in this respect does not amount to careless management, but rather reflects deficiencies in the training of staff in the use of the Reality system.

7. The successor United Nations Observer Mission in Angola (MONUA) and other ongoing peacekeeping missions have been given guidance on the need to review the status of requisitions in a timely manner and to eliminate those requisitions from the Reality system that no longer are required. Certifying officers are regularly requested to review their accounts to ensure that only valid financial obligations are retained.

Vendor roster

8. The Office recommended that the Mission take appropriate action to create a reliable vendor roster.

9. By autumn 1997 the Mission's Procurement Section established a vendors roster and has since continued to identify qualified suppliers in the region and add them to the roster. The vendor roster of the Procurement Division at Headquarters has been utilized by the Mission to increase the number of firms invited to submit bids for necessary goods and services.

Air charter services

10. The Office noted in its report that in one case of the hiring of an aircraft there were serious irregularities. The contract costing $175,000 had been signed by the Chief Procurement Officer without reference to the local

committee on contracts and without the approval of the Chief Administrative Officer; the related purchase order had been issued prior to receiving an authorized requisition; the requisition was eventually certified without ensuring the availability of funds; aviation specialists were not involved in the procurement process; the Department of Peacekeeping Operations did not authorize the procurement action; adequate time was not allowed for submission of quotations and bids; the aircraft was accepted despite the fact that it did not meet the specifications; and the Chief Procurement Officer had received an unsolicited proposal from an unknown operator with whom the contract had been concluded.

11. The Mission had identified these irregularities and established an internal review committee (the "Commission") to provide a factual account of the matter for review by the Special Representative of the Secretary-General as well as the Field Administration and Logistics Division whereupon the Office was requested to review the activities in this respect.

12. The analysis of this case by the Field Administration and Logistics Division shows that in September 1995 the Mission had identified an urgent requirement for a combination passenger/cargo air charter services and undertook local procurement action to obtain such a service. However, the Chief Procurement Officer signed the contract before the award was approved. Having learned about this, the Chief Administrative Officer initiated termination of this contract, which was done expeditiously without any cost to the Organization. Subsequently, Headquarters validated the Mission's requirement and chartered a suitable aircraft. Although the Chief Procurement Officer did not adhere to established procurement procedures in the handling of this matter, the Mission has determined that the Organization did not suffer any financial loss.

Purchasing trips to South Africa

13. The report of the Office noted irregularities in purchasing trips to South Africa undertaken by procurement personnel on two occasions.

14. With regard to the instance mentioned in paragraph 14 of the report, it should be noted that the Mission detected possible irregularities during the first purchasing trip to South Africa, thoroughly investigated the matter and took appropriate measures to adjust its internal controls to prevent reoccurrence.

15. Using the lessons learned from that purchasing trip, a subsequent trip to South Africa was planned in coordination with the requisitioners, and after consultation between the Chief Administrative Officer and the Deputy Special Representative of the Secretary-General. The exercise was carried out after obtaining the results of a competitive bidding exercise. Under the circumstances this was considered an efficient way for expediting procurement of urgently required commodities.

16. The Chief Procurement Officer had written terms of reference for this trip, which did not confer any extraordinary authority to him to bypass normal procurement procedures. It was envisaged that in cases where the accompanying requisitioner's representative, after physical inspection of samples, concluded that the goods offered by the lowest acceptable bidder did not conform to the specifications, the Chief Procurement Officer would arrange for the purchase from another company, as appropriate. Only one requisition in an amount that was in excess of $100,000 resulted in a recommended award during this trip that required the advice of the local committee on contracts, which was obtained.

Procuring of goods for quartering areas

17. The matters raised in the report under this heading are the subject of a separate investigation by the Office. The Secretary-General will address the relevant observations and recommendations once the Office has completed its report on the matter.

Payment of clearing agent's fee

18. In paragraph 18 of its report the Office noted an overpayment of clearing agent's fees in July 1996. A detailed review of this case by the Field Administration and Logistics Division showed that the payments to the vendor included reimbursement for port charges paid by him to the port authorities on behalf of the Mission, but from some of which the Mission was either exempt or eligible for discount, as was subsequently confirmed by the Government. The Mission has brought this matter to the attention of the Angolan authorities and requested compensation, in the amount of $17,873.

Rental of buses

19. In paragraph 22 of its report, the Office noted that the Mission was exploring the possibility of recovering what were deemed to be excess payments to its commercial bus operator who had provided buses of smaller capacity than called for in the contract. However, upon further review of this matter, it was considered unlikely that a claim for compensation could be raised successfully.

20. The Mission accepted and used the buses for its urgent operational requirements in the knowledge that no other company was capable or willing to provide the requirement. The competitive tendering exercise that preceded the award of this contract had revealed that the awardee was the only provider of buses in Angola that met United Nations safety standards. The subsequent bidding exercise in 1997 confirmed this. The Mission was therefore dealing with a near-monopoly situation and had little influence over the price that it had to pay for buses. Furthermore, it has been wrongly surmised that all buses provided by the operator were 31-seater vehicles. In actuality, most of the buses had 35 to 40 seats, and some had as many as 45 seats, although regrettably this information was not provided to the Office earlier. Nevertheless the Mission should have properly documented the conditions surrounding the acceptance of a fleet of buses that fulfilled the operational requirement but that did not meet the original technical specification, albeit to a much lesser extent than originally reported.

Payment of stevedoring charges

21. The Office noted that in 1996 the Mission had paid stevedoring charges for the sea-lift of contingents and contingent-owned equipment, which should have been the responsibility of the vessel operators. The Office recommended that the Field Administration and Logistics Division ensure recoveries wherever due and establish effective coordination with missions with regard to administration of such contracts.

22. At the time the payments were made for stevedoring services, shipping contracts prepared at Headquarters in New York made plain that the payment of charges associated with the berthing and unloading of vessels was to be paid by the vessel operators, and not the receiver of transported goods. However, the system of port tariffs utilized by the Angolan port authorities did not conform to the maritime industry standards, thereby making it difficult for the Mission to determine in each case the exact amount relating specifically to berthing and stevedoring alone. The Mission therefore entered into negotiations with the Government of Angola on this matter and refused to pay any invoices for port charges until it was resolved.

23. Meanwhile, through 1995 and 1996 the port authorities in Luanda and Lobito continued to demand that the Mission pay invoices for port charges in full, without exception, which UNAVEM refused to do in the absence of an agreement with the Government on the applicable charges. By the middle of 1996, facing this impasse wherein none of the invoices had been paid, the port authorities began seizing incoming consignments; moreover, they threatened to sell those consignments at public auction.

24. The Mission obtained clarification from the Government of Angola only in early 1998 that certain disputed charges would either be waived or discounted. Moreover, the Field Administration and Logistics Division has obtained assurances from the carriers involved that they did pay all applicable fees. In light of this, it has been determined that $296,066 of the amount invoiced by the Port of Lobito represents valid charges for services. However, $566,066 represents payments made for berthing and stevedoring charges that were supposed to have been paid by the carriers, while an additional $96,116 represents payments for other port charges that were later either waived or discounted as the result of negotiations initiated by the Mission. The Mission has therefore included these two amounts among the requests for compensation that are being presented to the Government of Angola as part of the mission liquidation process.

III. Remedial action taken with regard to the recommendations of the Office

25. The Office noted that there were serious management deficiencies and apparent breaches of financial regulations and rules as well as improprieties and irregularities in the procurement process, which in some cases resulted in significant losses to the Organization, and created a climate that may have fostered fraud and financial abuse. The Administration concurs with the Office that there were management deficiencies and apparent breaches of the established rules and regulations in the procurement process in the Mission at the time. Nevertheless, no evidence of fraud or financial abuse has been established.

26. In paragraph 34 of its report, the Office recommended that individual accountability for the improprieties, irregularities and losses, as well as the lack of control in the

procurement operations of the Mission, be determined for appropriate action, including invoking financial rule 114.1 for the recovery of losses, where justified.

27. The problems that were identified in the procurement activities of MONUA were carefully investigated by the Mission, and subsequently by the Department of Peacekeeping Operations and the Office with a view to assigning personal responsibility to United Nations officials in accordance with the provisions of the relevant rules, regulations and instructions. As a result of these efforts, the Procurement Section of the Mission was reorganized in 1996 and staff in key positions were replaced with more qualified and experienced personnel. The former Chief Procurement Officer was removed, and he has since separated from the Organization. Also, a procurement assistant was relieved from procurement duties, and his assignment to the Mission subsequently curtailed. He was later issued a letter of caution.

28. Finally, the Office recommended in paragraph 34 that the Mission's internal controls be strengthened, in particular with regard to monitoring the processing of requisitions and management review of individual procurement actions.

29. All peacekeeping missions have been given guidance on the need to review the status of requisitions in a timely manner and to eliminate those requisitions from the Reality system that are no longer valid. Comprehensive briefings are provided to procurement staff on assignment to the field, with special emphasis given to the responsibilities of certifying officers and committees on contracts. A special training programme was organized in April 1999 for Reality system administrators within the field missions.

IV. Conclusion

30. Administration appreciates the prompt response of the Office to the requests by UNAVEM and the Department of Peacekeeping Operations to audit the procurement processes in the Mission, as well as the resultant observations and recommendations. These joint efforts facilitated remedial actions that were taken or are ongoing wherever possible.

31. The detailed and in-depth review of the procurement activities and processes in UNAVEM significantly contributed to better understanding of potential managerial and administrative weaknesses in the field procurement area in general. This understanding is being translated by the Secretariat into practical improvements in the organization of the procurement activities in field missions and at Headquarters. Specifically, the Procurement Manual has been updated and made available to the field missions on the Internet; efforts are made to organize training of procurement officers and provide general and mission specific pre-deployment training to procurement staff; more emphasis is being made on the need to strengthen internal controls over the procurement and finance processes in the field, including provision of timely guidance from the Headquarters.

32. The work in this direction is expected to promote the responsiveness and efficiency of the procurement activities in the field missions while promoting strict adherence to the established rules and regulations. However, with the ongoing expansion of peacekeeping activities, the need for qualified personnel in procurement and other occupations has considerably increased. The Secretary-General intends to take whatever measures necessary to ensure that this expansion of peacekeeping activities does not lead to renewed weaknesses in our procurement processes.